

Available online at www.sciencedirect.com**ScienceDirect**

Procedia Economics and Finance 26 (2015) 818 – 826

Procedia
Economics and Finance

www.elsevier.com/locate/procedia

4th World Conference on Business, Economics and Management, WCBEM

Reasons for Inability of Organizations Furniture Industry to Get into International Markets

Mehmet Colak^{a*}, Tahsin Cetin^a, Burcu Engin^a*^aMugla Sitki Kocman University, Faculty of Technology, Department of Wood Working Industrial Engineering, Kotecli, postcode: 4800, Mugla, TURKEY.*

Abstract

It is a well-known fact that export is of great importance for the development of the economy and welfare of country. Thus, all countries attach great importance to export and determine international strategies to enhance their export. As a result of globalization, export has turned out to be phenomenon offering opportunities for organizations of every scale to sell their products in international markets and an important factor contributing to the development of the economy of a country. The reasons behind the inability of small and medium-scale furniture organizations operating in Turkey to get into international markets were investigated and the most effective ones from among these reasons were determined and factors contributing to these reasons were tried to be determined.

© 2015 Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license

(<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of Academic World Research and Education Center

Keywords: Furniture sector; SMEs; Problems in export; International markets

1. Introduction

Export is one of the factors determining balance of trade in the globalizing world. As the transportation between countries has become easy as a result of developing technologies and fast means of transportation, the world has turned to a global village. With all these technological developments, economic borders have been disappearing (Karagul, 2007).

Export promotes specialization and enables more effective production, marketing and distribution as countries focus on goods that can be effectively produced and marketed with the resources possessed by the countries. In

* Mehmet Colak Tel.: +90-252-211-1704; fax: +90-252-211-3150.

E-mail address: cmehmet@mu.edu.tr

addition to this, it promotes the pursuit of technological developments and transfer of these developments into local markets (Pacaman, 2010). Export is of great importance for the economy of every country because it means the utilization of all production resources in the economy of a country. With increasing amount of export, national income also increases and in this way, contributes to the economic development. As a result of the recognition of the importance of export for the economy, many organizations started to experience difficulties in exporting their goods and to understand this is a difficult and risky task, so they may give up the idea of exporting their goods (Sonmez and Arslan, 2007).

Along with the process of globalization, export has promoted the economic growth of organizations and competitiveness has become an important advantage for organizations. Today, export is considered to be an important factor affecting economic wealth, unemployment problems, economic growth and welfare of countries (Aygun, 2010).

For a firm, export enables effective utilization of the existing physical and human resources, reduction of unutilized capacity, healthy growth and thus, is an important element for the fulfillment of growth targets. As domestic markets have reached certain saturation and competition has increased, organizations' shares of profit have decreased; this leads organization to the pursuit of other means. To solve this problem, organizations attempt to market their goods in international markets so that they can increase their profits. When firms produce goods tailored for individuals or have unique products, they can meet international demands without investing much effort. Therefore, export can serve as a means of turning a firm into an international organization. Thus, the firm becomes oriented towards quality production and effective marketing and creates a positive perception of its products among consumers (Ozbek, 2009).

As SMEs represent the majority of the manufacturing organizations in Turkey, they are of vital importance to the economy of the country. It is a widely agreed that economic growth of a country mostly depends on manufacturing. Increasing manufacturing is closely associated with the growth and development of manufacturing organizations. SMEs are likened to the locomotive of an economy and for them to develop and grow, they need to increase their sales (Senturk, 2007).

Development of SMEs can also make some contributions to regional growth. Therefore, first SMEs must be supported to develop. One of the important problems of SMEs is growth and this problem can be solved by increasing their sales and getting into new domestic and international markets. Finding new markets is an important step to overcome this problem. When firms find new markets, they can both increase their sales and experiences. New markets can be defined as places not having been reached by the firm in the domestic market or international markets offering new export opportunities. However, there are some reasons for firms' reluctance to enter into new markets (Senturk, 2007).

2. Material And Method

In recent years, developments and changes occurring in Turkish economy, organizations' eagerness to enter into new markets and potential risks and uncertainties to be experienced in international markets have both positive and negative effects on firms. If organizations want to be successful in international markets, they need to carefully analyze the problems and obstacles and find ways of overcoming them. The most important reasons for firms' orientation towards international markets are; decreasing demand in the domestic market, existence of unutilized capacity in organizations, desire to get rid of the competition encountered in the domestic market, to minimize the risk, to prolong the longevity of their products by marketing them in international markets, to take advantage of incentives offered in international markets and to learn by competing in international markets and use this information as a competitive advantage in domestic markets (Ipekgil Dogan and Marangoz, 2002).

Studies in literature mostly focus on export-related problems of organizations (Lopez, 2007). In this literature specifically focusing on export, it was investigated why firms that have a potential to make export cannot realize this potential and related problems. For firms to be able to export, they need to gain a solid ground in the domestic market (Senturk, 2007).

In the current study, the purpose is to investigate the reasons behind the inability of small and medium-scale furniture organizations operating in Turkey to get into international markets. Manufacturing firms constitute the universe of the study.

The universe of the current study consists of small and medium-scale organizations operating in furniture industry in East Anatolian Region of Turkey in 2014. The data were collected through a questionnaire. The questionnaire was administered to 90 organizations randomly selected and as 12 organizations provided missing information, they were excluded from the study and thus, the analyses were conducted on the data collected from 78 furniture organizations. The questionnaire includes a “Demographics Information Form” and items aiming to elicit the reasons behind the inability of the organizations to enter into international markets.

In the statistical analysis, demographic variables were classified and then the questionnaire administered to the organizations was scaled. At this stage, descriptive frequencies and percentages for demographic features (gender, age, educational status, department where the person works) were calculated. The data collected were analyzed in SPSS 20.0 for windows program package. The results of the analyses are presented in the tables below.

Table 1. Frequency analyses belonging to the structures of the organizations according to the participants' demographic features

Question Variables	Response Variables	Frequency	Percent
Gender	Male	63	80,8
	Female	15	19,2
	Total	78	100
Age	18 – 28 years old	3	3,8
	29 – 39 years old	24	30,8
	40 and older	51	65,4
	Total	78	100
	Apprenticeship training	21	26,9
Educational Status	Vocational High School	36	46,2
	Associate's Degree	18	23,1
	University	3	3,8
	Post-graduate	0	0
	Others	0	0
Department where the person works	Total	78	100
	R&D P&D manager	9	11,5
	Production manager	57	73,1
	Marketing manager	9	11,5
	Others	3	3,8
Workers' period of service	Total	78	100
	1-5 years	3	3,8
	6-10 years	36	46,2
	11-15 years	24	30,8
	16 years and more	15	19,2
Capacity utilization	Total	78	100
	%0-25	0	0
	%26-50	0	0
	%51-75	45	57,7
	%76-100	33	42,3
	Total	78	100

As can be seen in Table 1, 63 (80.8%) of the participants are males and 15 (19.2%) are females. There are 3 people in the age group of 18-28 (3.8%), 24 in the age group 29-39 (30.8%) and 51 in the age group 40 and older (65.4%). When the participants are evaluated in terms of their educational status, it is seen that there are 21 people who had apprenticeship training (26.9%), 36 vocational high school graduates (46.2%), 18 associate's degree graduates (23.1%), 3 university graduates (3.8%) and no people having post-graduate education. When the

participants' departments where they work are examined, it is seen that there are 9 R&D / P&D managers (11.5%), 57 production managers (73.1%), 9 marketing managers (11.5%) and 3 in others (3.8%). The workers' periods of service are as follows; there are 3 workers in the group of 1-5 years (3.8%), 36 in the group of 6-10 years (46.2%), 24 in the group of 11-15 years (30.8%), 15 in the group of 16 years or more (19.2%). The capacity utilization ratios of the organizations are as follows: capacity utilization ratio of 45 organizations is 51-75% (57.7%) and that of 33 organizations is 76-100% (42.3%).

Based on the fact that the participants provided more than one response to the question asking them to indicate the distribution channels and intermediaries through which they sell their products, the following frequency table was constructed.

Table 2. Frequency analysis related to the organizations distribution channels and intermediaries

Question Variables	Response Variables	Frequency	Percent
Distribution Channels and Intermediaries	Retailer	39	50
	Industrialist	73	80,8
	Shopping center	36	46,2
	Wholesaler	18	23
	Exporter	12	15,3
	Others	57	73,1
	Total	78	100

As can be seen in Table 2, the organizations market their products through 39 retailers (50%), 73 industrialists (80.8%), 36 shopping centers (46.2%) 18 wholesalers (23%), 12 exporters (15.3%) and 57 others (73.1%). Based on the fact that the participants provided more than one response to the question asking them to indicate the reasons for their not exporting, the following frequency table was constructed.

Table 3. Frequency Analysis related to the Reasons for Organizations' not Exporting

Question Variables	Response Variables	Frequency	Percent
Reasons for not exporting	Lack of personnel	33	42,3
	Lack of foreign language competency	26	33,3
	Lack of capacity	34	43,6
	Lack of finance	21	26,9
	Lack of information about the target market	3	3,8
	Lack of information about the procedures of exporting	12	15,4
	High input cost	39	50
	High prices	62	80,8
	Shortage of customers	75	96,2
	Bad product quality	3	3,8
	Others	3	3,8
	Total	78	100

As can be seen in Table 3, the most important reason for not exporting was stated to be shortage of customer by 75 organizations (96.2%), high prices by 62 organizations (80.8%), high input cost by 39 organizations (50%), lack of capacity by 34 (43.6%), lack of personnel by 33 organizations (42.3%), lack of foreign language competence by 26 (33.3%), lack of finance by 21 (26.9%), lack of information about the procedures of exporting by 12 organizations (15.4%), lack of information about the target market by 3 organizations (3.8%), poor product quality by 3 (3.8%) and other reasons by 3 organizations (3.8%).

Table 4. Frequency Analysis related to the organizations' state of exporting

Question Variables	Response Variables	Frequency	Percent
SMEs use incentives	Yes	24	30,8
	No	54	69,2
	Total	78	100
	Did not respond	75	96,2
Which incentive you use	The Employment Organization	3	3,8
	Total	78	100
	Yes	15	19,2
Participate in fairs	No	63	80,8
	Total	78	100
	Do not take any initiatives	63	80,8
	Cannot communicate	3	3,8
Initiatives taken to export	Communication problems	3	3,8
	Cannot find customers	3	3,8
	Others	6	7,7
	Total	78	100

As can be seen in Table 4, when the variables affecting the organizations' state of exporting are examined, it is seen that 24 of them use the incentives offered for SMEs (30.8%) and 54 of them do not (69.2%). The responses given to the question of which incentive you use, 3 of them stated that they use incentives from The Employment Organization (3.8%) and 75 of them did not respond (96.2%). When they were asked whether they participate in fairs, 15 of them said "yes" (19.2%) and 63 of them said "no" (80.8%). The responses given in relation to initiatives taken to export are as follows; 3 of the organizations stated that they cannot find customers (3.8%), 3 stated that they have communication problems (3.8%), 3 of them stated that they cannot communicate (3.8%), 6 of them stated that others (7.7%), 63 of them stated that they do not take any initiatives.

Table 5. Cross-correlation analysis and Chi-square test results related to the correlation between educational status and using SMEs incentives

Educational Status * SMEs incentives Crosstabulation		SMEs incentives		Total
		Yes	No	
Apprenticeship training	Count	9	12	21
	% within educational status	42,9%	57,1%	100,0%
Vocational High School	Count	3	33	36
	% within educational status	8,3%	91,7%	100,0%
Associate's Degree	Count	9	9	18
	% within educational status	50,0%	50,0%	100,0%
University	Count	3	0	3
	% within educational status	100,0%	,0%	100,0%
Total	Count	24	54	78
	% within educational status	30,8%	69,2%	100,0%
Chi-Square Tests		Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square		19,822(a)	3	,000
Likelihood Ratio		22,002	3	,000
Linear-by-Linear Association		2,347	1	,125
N of Valid Cases		78		

P<0,05

When the table is examined, it is seen that while 9 of 21 people having apprenticeship training use SMEs incentives (42.9%), 12 of them do not (57.1%). In a similar manner, while 3 of 36 people having vocational high school education use SMEs incentives (8.3%), 33 (91.7%) do not. 9 of 18 people having associate's degree (50%) use incentives and 9 of them (50%) do not. All three people having university education stated that they use incentives. In general, 30.8% of the participants stated that they use incentives and 69.2% of them stated that they do not.

Chi-square results revealed that there is a significant correlation between educational status and state of using SMEs incentives.

Table 6. Cross-correlation analysis and Chi-square test results related to the correlation between the department the person works and state of taking initiative to export

Department the person works * taking initiative to export Crosstabulation		Taking initiative to export		Total
		yes	no	
R&D / P&D manager	Count	6	3	9
	% within department the person works	66,7%	33,3%	100,0%
Production manager	Count	9	48	57
	% within department the person works	15,8%	84,2%	100,0%
Marketing manager	Count	0	9	9
	% within department the person works	,0%	100,0%	100,0%
Other	Count	0	3	3
	% within department the person works	,0%	100,0%	100,0%
Total	Count	15	63	78
	% within department the person works	19,2%	80,8%	100,0%
Chi-Square Tests		Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square		16,330(a)	3	,001
Likelihood Ratio		15,190	3	,002
Linear-by-Linear Association		11,011	1	,001
N of Valid Cases		78		

P<0,05

As can be seen in Table 6, 6 of 9 (66.7%) people working in R&D / R&P department stated that they take some initiatives to export and 3 of them (33.3%) stated that they do not take any initiatives to export. While 9 of 57 (15.8%) people working in the production departments stated that they have some initiatives to export, 48 of them (84.2%) stated that they do not; all of 9 people (100%) working in the marketing departments stated that they do not take any initiatives to export; all of 3 people working in the other departments do not have any initiatives to export. Chi-square results relating the correlation between the department where the person works and state of taking initiative to export revealed that there is a statistically significant correlation.

Table 7. Cross-correlation analysis and Chi-square test results related to the correlation between educational status and state of participating in fairs

Educational status * participating fairs crosstabulation		Participating in fairs		Total
		yes	no	
Apprenticeship training	Count	0	21	21
	% within educational status	,0%	100,0%	100,0%
Vocational high school	Count	6	30	36
	% within educational status	16,7%	83,3%	100,0%

Associate's degree	Count	6	12	18
	% within educational status	33,3%	66,7%	100,0%
University	Count	3	0	3
	% within educational status	100,0%	,0%	100,0%
Total	Count	15	63	78
	% within educational status	19,2%	80,8%	100,0%
Chi-Square Tests		Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square		20,057(a)	3	,000
Likelihood Ratio		21,015	3	,000
Linear-by-Linear Association		16,298	1	,000
N of Valid Cases		78		

P<0,05

As can be seen in Table 7, all of 21 (100%) participants having apprenticeship training have not participated in fairs. Six of 36 (76%) participants having vocational high school education have participated in fairs and 30 have not (83.3%). Six of 18 (33.3%) participants having associate's degree have participated in fairs and 12 (66.7%) have not and all of the 3 people having university education have participated in fairs. Chi-square results relating the correlation between the participants' educational status and their state of participating in fairs revealed that there is a statistically significant correlation.

Table 8. Cross-correlation analysis and Chi-square test results related to the correlation between the participants' age and state of participating in fairs

Age * participating in fairs crosstabulation		Participating in fairs		Total
		yes	no	
18-28	Count	3	0	3
	% within age	100,0%	,0%	100,0%
29-39	Count	9	15	24
	% within age	37,5%	62,5%	100,0%
40 and up	Count	3	48	51
	% within age	5,9%	94,1%	100,0%
Total	Count	15	63	78
	% within age	19,2%	80,8%	100,0%
Chi-Square Tests		Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square		23,608(a)	2	,000
Likelihood Ratio		21,796	2	,000
Linear-by-Linear Association		22,138	1	,000
N of Valid Cases		78		

P<0,05

As can be seen in Table 8, all of the 3 (100%) participants aged 18-28 have participated in fairs. Nine of 24 (37.5%) participants aged 29-39 have participated in fairs and 15 of them (62.5%) have not. Three of 51 (5.9%) participants aged 40 or more have participated in fairs and 48 of them (94.1%) have not. Chi-square results relating the correlation between the participants' age and their state of participating in fairs revealed that there is a statistically significant correlation.

3. Results

Though plans to enter into international markets are not among the short-term plans of the managers, they are in their long-term plans.

In the present study, 80.8% of the participants are males. It is clear that the furniture organizations participating in the study mostly prefer to work with male employees. Almost all of the participants (96.2%) are middle aged or older. The number of young workers is relatively low. When the educational status of the participants is examined, it is seen that 26.9% have apprenticeship training, 46.2% have vocational high school education, 23.1% have associate's degree and 3.8% have university education and there is nobody having post-graduate education. This may show that the organizations do not prefer workers having higher education and this may have some adverse impacts on initiatives to export. Half of the participants have a period of service more than 11 years and this may indicate that the workers are experienced. The utilization capacity of 58% of the organizations is 51-75%. This seems to be a low utilization capacity that may stem from not being able to enter into international markets.

The analysis conducted revealed that the most important reasons for the inability to export are as follows: not being able to find customers (96.2%), high prices (80.8%), not being able to export due to high input costs (50%), lack of capacity (43.6%), shortage of qualified labor force (42.3%), lack of foreign language competency (33.3%), lack of finance (26.9%), lack of information about export applications (15.4%), lack of information about the target markets, bad quality products and others (3%). Of the participating organizations, 30.8% do not use SMEs incentives. The most important incentive used by the firms is one offered by Turkish employment agency. Of the organizations, 19.2% participate in fairs. High majority of the organization do not participate in fairs; thus, they cannot understand the importance of fairs.

All of the 3 participants having university education stated that they used SMEs incentives and this may show the importance of education in terms of investments and use of incentives. It was concluded that there is a significant correlation between educational status and using SMEs incentives. Workers not qualified enough may not help organizations wanting to enter into international markets to achieve this goal. For international markets, informed and experienced personnel are needed.

A significant correlation was found between the department the person works and taking initiatives to export. One of the elements required for institutionalization, specialization in departments contributes to efforts to get into international markets. Almost always, organizations face financial problems. At the stage of foundation, SMEs have many opportunities to find incentives, but few of them use them. Commercial fairs may be one of the most important means of finding new markets. In furniture industry, fairs serve as the most effective means of promotion.

4. Suggestions, comments

Turkish furniture industry should be encouraged to get more information about export and international markets and to be more active in the organization of promotion activities in international markets. Lack of promotion efforts in international markets has negative effects particularly on the competitive advantage in export. The most important step of promotion in domestic and international markets is fairs; thus, participation in national and international markets can minimize these negative effects.

SMEs need to be informed about bureaucratic operations related to export, bureaucratic operations should be minimized and state agencies should be established to help organizations in collecting required information and conducting market research. Policies must be developed to support the attempts to enhance the educational status of workers in furniture industry and the quality of education given at the related departments of universities providing the workforce for furniture industry should be improved. As a conclusion, for finding permanent solutions to the problems of furniture industry, managers of organizations, managers of the related sectors, professional chambers, state officials and related departments of universities should come together under the leadership of Ministry of Industry and Commerce and work in cooperation.

References

- Arzova, S. B., (2006). *Export All About*, Turkmen Bookstore, Istanbul.
- Aygun, M. "Determinants of Export Performance in Firm Level: Example of Turkish Capital Markets", *World Journal of Science in Accounting*, Num: 4, 2010, p.113 – 133.

- Karagul, K. 2007. 'Analysis of factors affecting export performance: Example of a company in Denizli', Pamukkale University, Social Science of Institute, Master's thesis, Department of Economics, July, Denizli.
- Ipekçil, D., Marangoz, O&M., 2002. "The Problems Faced in opening foreign markets for SMEs and Suggestions (And An Application)" *Foreign Trade Magazine*, N: 24, p.1-29.
- Ozbek, A., 2009. 'Turkish Clothing Industry Representative Product Basis (Denim Pants) Investigation of Future Export Performance', (Unpublication Doctorate Thesis), Marmara University, Istanbul.
- Lopez, N.V., 2007. "Export Barriers and Strategic Grouping," *Journal of Global Marketing*, Vol: 20, Num: 2&3, p. 17-29.
- Pacaman E. H., 2010. 'Importance of Export Businesses in Turkey, Problems and Suggestions', (Unpublication Masters's Thesis), Kadir Has university, Istanbul.
- Senturk, I., 2007. 'Inability to open new markets for SMEs and Their Causes Factors Affecting', Gaziosmanpasa University, Institute of Social Science, Department of Economics, Master's Thesis, Tokat.
- Sezen, S., 2008. 'Macro Econometric Analysis of Variables Affecting the Export Performance in Turkey', (Unpublication Masters's Thesis), Trakya University, Edirne.
- Sonmez, A. and Arslan, A.R., 2007. "Problems Faced by the Export Making Method; Examples of the Furniture Industrial," *Journal of Politeknik*, vol:10, Num:4, p.403- 409.
- Yucel A., 2006. 'Firm Performance Effects of Export Marketing Strategy', Clothing Companies An Application, (Unpublication Doctorate Thesis), Ankara University, Ankara.